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Certified Public Accountants, A.C.

**VILLAGE OF ALGER
HARDIN COUNTY
Regular Audit**

For the Years Ended December 31, 2014 and 2013

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Alger
207 Angle Street
Alger, Ohio 45812

We have reviewed the *Independent Auditor's Report* of the Village of Alger, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Alger is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 16, 2015

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VILLAGE OF ALGER
HARDIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 30, 2015

Village of Alger
Hardin County
207 Angle Street
Alger, Ohio 45812

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Alger**, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Alger, Hardin County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 14,742	\$ 6,676	\$ 21,418
Municipal Income Tax	63,977	-	63,977
Intergovernmental	14,507	33,655	48,162
Special Assessments	-	19,298	19,298
Fines, Licenses and Permits	4,772	-	4,772
Earnings on Investments	155	74	229
Miscellaneous	9,992	4,513	14,505
	108,145	64,216	172,361
Cash Disbursements			
Current:			
Security of Persons and Property	-	22,345	22,345
Public Health Services	2,596	-	2,596
Leisure Time Activities	4,290	-	4,290
Transportation	-	47,154	47,154
General Government	83,630	-	83,630
Capital Outlay	-	3,404	3,404
	90,516	72,903	163,419
<i>Excess of Receipts Over (Under) Disbursements</i>	17,629	(8,687)	8,942
Other Financing Receipts			
Sale of Fixed Assets	425	-	425
	425	-	425
<i>Net Change in Fund Cash Balances</i>	18,054	(8,687)	9,367
<i>Fund Cash Balances, January 1</i>	83,534	149,849	233,383
Fund Cash Balances, December 31			
Restricted	-	141,162	141,162
Unassigned	101,588	-	101,588
	\$ 101,588	\$ 141,162	\$ 242,750

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 270,252
Special Assessments	8,166
Miscellaneous	1,784
	280,202
<i>Total Operating Cash Receipts</i>	<i>280,202</i>
Operating Cash Disbursements	
Personal Services	68,184
Employee Fringe Benefits	10,942
Contractual Services	61,127
Supplies and Materials	44,781
Other	100
	185,134
<i>Total Operating Cash Disbursements</i>	<i>185,134</i>
<i>Operating Income</i>	<i>95,068</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(70,894)
Interest and Fiscal Charges	(31,865)
	(102,759)
<i>Total Non-Operating (Disbursements)</i>	<i>(102,759)</i>
<i>(Loss) before Transfers</i>	<i>(7,691)</i>
Transfer-In	95,435
Transfer-Out	(95,435)
	(7,691)
<i>Net Change in Fund Cash Balances</i>	<i>(7,691)</i>
<i>Fund Cash Balances, January 1</i>	<i>288,692</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 281,001</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 14,839	\$ 7,096	\$ 21,935
Municipal Income Tax	51,577	-	51,577
Intergovernmental	14,748	37,261	52,009
Special Assessments	-	20,320	20,320
Fines, Licenses and Permits	4,947	-	4,947
Earnings on Investments	294	205	499
Miscellaneous	3,617	503	4,120
	<i>Total Cash Receipts</i>	<i>90,022</i>	<i>155,407</i>
Cash Disbursements			
Current:			
Security of Persons and Property	-	19,589	19,589
Public Health Services	2,584	-	2,584
Leisure Time Activities	3,343	-	3,343
Transportation	-	42,455	42,455
General Government	86,356	-	86,356
Capital Outlay	-	3,591	3,591
	<i>Total Cash Disbursements</i>	<i>65,635</i>	<i>157,918</i>
	<i>Net Change in Fund Cash Balances</i>	<i>(2,261)</i>	<i>(2,511)</i>
	<i>Fund Cash Balances, January 1</i>	<i>150,099</i>	<i>235,894</i>
Fund Cash Balances, December 31			
Restricted	-	149,849	149,849
Unassigned	83,534	-	83,534
	<i>Fund Cash Balances, December 31</i>	<i>\$ 83,534</i>	<i>\$ 233,383</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 272,369
Special Assesments	6,953
Miscellaneous	31
	<hr/>
<i>Total Operating Cash Receipts</i>	<u>279,353</u>
Operating Cash Disbursements	
Personal Services	60,730
Employee Fringe Benefits	10,689
Contractual Services	66,202
Supplies and Materials	41,825
Other	233
	<hr/>
<i>Total Operating Cash Disbursements</i>	<u>179,679</u>
<i>Operating Income</i>	<u>99,674</u>
Non-Operating (Disbursements)	
Capital Outlay	(19,580)
Principal Retirement	(68,895)
Interest and Fiscal Charges	(33,618)
	<hr/>
<i>Total Non-Operating (Disbursements)</i>	<u>(122,093)</u>
<i>(Loss) before Transfers</i>	<u>(22,419)</u>
Transfer-In	96,100
Transfer-Out	(96,100)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	(22,419)
<i>Fund Cash Balances, January 1</i>	<u>311,111</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 288,692</u></u>

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Alger, Hardin County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

The Village participates in two jointly governed organizations and belongs to the Ohio Plan Risk Management, Inc. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Upper Scioto Valley Ambulance District – This District provides emergency medical services to members within the District.

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. – provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in a checking account and certificates of deposit.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Light Assessment Fund – This fund receives assessments from property owners to pay for Village street lighting.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Water Improvement Fund - This fund receives charges for services from residents for repayment of loans related to water plant improvements.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand Deposits	\$ 348,487	\$ 347,006
Certificates of Deposit	175,264	175,069
Total Deposits	<u>\$ 523,751</u>	<u>\$ 522,075</u>

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,781	\$ 108,570	\$ 13,789
Special Revenue	57,900	64,216	6,316
Enterprise	359,100	375,637	16,537
Total	\$ 511,781	\$ 548,423	\$ 36,642

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 91,980	\$ (91,980)
Special Revenue	-	73,921	(73,921)
Enterprise	-	386,127	(386,127)
Total	\$ -	\$ 552,028	\$ (552,028)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 93,592	\$ 90,022	\$ (3,570)
Special Revenue	57,823	65,385	7,562
Enterprise	359,034	375,453	16,419
Total	\$ 510,449	\$ 530,860	\$ 20,411

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 106,870	\$ 93,369	\$ 13,501
Special Revenue	54,133	66,060	(11,927)
Enterprise	403,684	399,120	4,564
Total	\$ 564,687	\$ 558,549	\$ 6,138

Contrary to Ohio Law, budgetary expenditures exceeded the appropriation authority in the Street Construction and Maintenance, State Highway, Permissive Motor Vehicle License Tax, and the Sewer Operating Fund for the year ended December 31, 2013. Also contrary to Ohio Law, they did not file the appropriation measure and subsequent amendments with the County Auditor for the year ended December 31, 2014.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income from residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Construction Bonds	\$ 40,000	5%
Sanitary Sewerage First Mortgage Revenue Bonds	155,000	5%
Ohio Water Development Authority Loan #3627	878,127	2%
Ohio Water Development Authority Loan #4241	149,374	2%
Ohio Public Works Commission	33,958	0%
Total	<u>\$ 1,256,459</u>	

The \$170,800 Sanitary Sewerage System Construction Bonds were issued during 1984 to construct a sanitary sewage system payable with special assessments levied upon property owners. Principal and interest payments are due annually with the final payment being due in 2024. The Village is required to place the funds derived from said levy in a separate and distinct fund and make the principal and interest payments there from. The Debt Service is paid from the Sewer Operating Fund.

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

6. DEBT (Continued)

The \$345,000 Sanitary Sewerage First Mortgage Revenue Bonds were issued during 1984 for the purpose of paying a portion of the construction of a sanitary sewage system and acquiring real estate in connection therewith payable from user fees. Principal and interest are due annually, with the final payment being due in 2024. The debt agreement requires the following funds be established so long as any bond remains unpaid: Sanitary Sewerage System Revenue Fund, Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Surplus Fund, and Sanitary Sewerage System Reserve Fund. The Debt Services is paid from the Sewer Debt Retirement Fund.

User fees collected are to be posted to the Revenue Fund in an amount to pay all reasonable and proper expenses of operating and maintaining the utility; to the Debt Service Fund on the first day of each month, the equal monthly amount necessary to provide for the payment of the interest and principal due on the next ensuring payment date upon all bonds outstanding; such sum monthly to make up any previous deficiency in monthly allocation required to be accumulated in the Revenue Fund and/or Debt Service Fund as provided above; to the Debt Reserve Fund, an amount equal to \$163 monthly up to a maximum of \$419,560; and annually on January 15, any excess revenues available in the Revenue Fund, after making all required payments required previously, to be transferred to the Surplus Fund.

The debt agreement also requires that interest on any moneys or investments in any fund authorized herein shall be credited to the fund containing the moneys or investments on which the interest was earned. In addition, the debt agreement states there shall be charged such rates as shall be required to meet the above requirements and that the Village is to be audited annually and is to furnish a copy of each audit to the FMHA.

The Ohio Water Development Authority (OWDA) Loan #3627 was approved on February 28, 2002 for the design, construction, maintenance and operation of a new water treatment plant in the amount of \$1,281,717 with interest at the rate of two (2%) percent per annum for a period of thirty (30) years. The first payment was due on July 1, 2003, payable from water user fees. Principal and interest payments are due semi-annually with the final payment being due in 2033. The Debt Service is paid from the Water Improvement Fund.

The Ohio Water Development Authority (OWDA) Loan #4241 was approved on October 28, 2004 for the replacement of a waterline in the amount of \$260,852 with interest at the rate of two (2%) percent per annum for a period of twenty (20) years. The first payment was due on January 1, 2006, payable from water user fees. Principal and interest payments are due semi-annually with the final payment being due in 2025. The Debt Service is paid from the Water Improvement Fund.

The Ohio Public Works Commission Loan (OPWC) was approved in July 2000 in the amount of \$479,896 with a 0% interest rate, for water treatment improvements. The first payment was due on July 1, 2003, payable from water user fees. Principal payments are due annually with the final payment being due in 2023. The Debt Service is paid from the Water Improvement Fund.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31	Sanitary Sewer Construction Bonds	Sanitary Sewer First Mortgage Bonds	OWDA #3627	OWDA #4241	OPWC
2015	6,000	19,750	57,022	15,195	3,995
2016	5,800	20,000	57,022	15,195	3,995
2017	5,600	20,000	57,022	15,195	3,995
2018-2022	25,000	95,000	285,111	75,975	19,975
2023-2027	8,600	39,000	285,111	45,586	1,998
2028-2032	-	-	285,111	-	-
2033	-	-	28,229	-	-
Total	<u>\$ 51,000</u>	<u>\$ 193,750</u>	<u>\$ 1,054,628</u>	<u>\$ 167,146</u>	<u>\$ 33,958</u>

7. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

8. RISK MANAGEMENT

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Jointly Governed Organizations

A. The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Villages within Hardin County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained by contacting Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

B. The Upper Scioto Valley Ambulance District (the District) is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of McGuffey, and the Village of Alger, in Hardin County. The District provides ambulance services within the District. Financial information can be obtained by contacting the Clerk at P.O. Box 83 Alger, Ohio 45812.

VILLAGE OF ALGER
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

10. Transfers

Transfers were made from the water and sewer operating funds to debt service funds to comply with debt covenants. All transfers were determined to be in compliance with Ohio Revised Code.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 30, 2015

Village of Alger
Hardin County
207 Angle Street
Alger, Ohio 45812

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Alger**, Hardin County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 30, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-004 described in the accompanying schedule of audit findings to be a material weakness.



...“bringing more to the table”

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• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2014-001 through 2014-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 30, 2015.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code 5705.39 states that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

We determined that an appropriation resolution was formed by the Village council but was not filed with or approved by the County Auditor for 2014. We recommend filing an appropriation resolution with the County Auditor at the beginning of each year in order certify the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2013 in the Street Construction and Maintenance, State Highway, Permissive Motor Vehicle License Tax, and Sewer Operating Funds. Also, actual disbursements exceeded appropriations in 2014 in all Funds.

We recommend the Village Fiscal Officer modify appropriations with Village Council and submit the modifications to the County Auditor before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure, and the required certification is obtained from the County Auditor per Ohio Rev. Code Section 5705.39.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-003

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 4 of 12 (33%) of the expenditures tested for 2014 and for 7 of 14 (50%) of the expenditures tested for 2013.

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Noncompliance (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2014-004

Material Weakness

Posting of Receipts and Disbursements

During 2013 and 2014, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following mispostings and misclassifications were noted during the audit:

- In 2013 and 2014, receipts and disbursements for the Sewer Operations were posted to the Debt Service Fund (3901) instead of the Sewer Operating - Enterprise Fund (5201).
- In 2013 and 2014, water receipts were posted to the General Fund (1000) instead of the Water Operating Fund (5101).

Not posting receipts and disbursements accurately and misclassifying funds resulted in the financial statements requiring several reclassifications and adjustments. The Village has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts, and posting of receipts and disbursements.

Officials' Response – We did not receive a response from Officials to this finding.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Accuracy of Financial Reporting	No	Not Corrected, Repeated as Finding 2014-004

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Dave Yost • Auditor of State

VILLAGE OF ALGER

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2015**